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Anglo-Rouyn

MINES LIMITED

Annual Report 1969

Anglo-Rouyn

MINES LIMITED

120 ADELAIDE STREET WEST, TORONTO 1, CANADA

Officers

R. D. Armstrong	-	-	-	-	-	-	President
W. P. Arnold	-	-	-	-	-	-	Vice-President
A. C. Turner	-	-	-	-	-	-	Secretary
J. Van Netten	-	-	-	-	-	-	Treasurer
M. D. Lawton	-	-	-	-	-	-	Mine Manager

Directors

G. R. Albino	-	-	-	-	-	Toronto, Ontario
R. D. Armstrong	-	-	-	-	-	Toronto, Ontario
W. P. Arnold	-	-	-	-	-	Toronto, Ontario
J. A. Sadler	-	-	-	-	-	Toronto, Ontario
A. C. Turner	-	-	-	-	-	Toronto, Ontario

Head Office

120 Adelaide Street West	-	-	Toronto, Ontario
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Transfer Agent and Registrar

Crown Trust Company	-	-	Toronto, Ontario
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Shares Listed

Toronto Stock Exchange	-	-	Toronto, Ontario
Canadian Stock Exchange	-	-	Montreal, Quebec

Annual Meeting

The Annual Meeting of the Shareholders of the Company will be held on Friday, April 17, 1970 at 11:00 A.M. (Toronto time) in the Conference Room, 26th floor, 120 Adelaide Street West, Toronto, Canada.

Directors' Report

Your Directors are pleased to submit this report on the operations and financial position of the Company for the year ended December 31, 1969.

Financial

Net earnings for 1969 were \$1,398,716 as compared with net earnings of \$603,835 for the previous year. The increase in earnings is mainly attributable to a higher level of copper prices partly offset by increased costs. Full provision has been made for Provincial mining taxes. Because the company did not claim depreciation or mine development expenses during its tax-exempt period which expired on February 28, 1969, it has available sufficient of such expenses to eliminate taxable income for the year and to reduce 1970 taxable income. Accordingly no provision has been made for income taxes.

At December 31, 1969 the bank loan was \$550,000 after repayments of \$1,900,000 during the year. Working capital was improved by \$2,237,975 and was \$1,214,450 at year end.

Operations

Production at the Company's copper mine at Waden Bay in the Lac La Ronge district of Saskatchewan was as follows:

	1969	1968
Dry tons milled	298,092	279,797
Average daily rate — tons	835	797
Average mill head grade — copper	1.8%	2.1%
Average mill recovery — copper	96.0%	96.1%
Production:		
Copper — payable pounds in concentrate	9,639,202	10,790,472
Gold — ounces	10,330	10,478
Silver — ounces	52,336	57,775

Production for the year was from the underground main "A" zone by shrinkage mining supplemented by ore from a surface pit on the "C" zone. In the early part of the year difficulty was encountered in mining in the main "A" zone where the lenses were found to be smaller and more fractured than indicated by drilling from the surface. For this reason and because of the continued shortage of underground labour, the rate of production which could economically be sustained from this zone was reduced and additional ore was supplied from the surface pit on the "C" zone which was developed and in operation at mid-year. Approximately 75,000 tons of mill feed was supplied from the pit during the year and at year-end an additional 42,000 tons of ore had been produced from the pit and stockpiled. Production of ore from this pit was terminated in January when all available ore had been mined.

The mill head grade of the pit ore was considerably lower than from the mine and resulted in an overall lower average grade but the availability and development of this ore enabled the milling rate to be kept at the highest possible level. The overall effect was that the contribution to earnings from the value of copper produced from the open pit, which was obtained at a lower cost than from underground, was significantly greater than the reduction in copper produced as a result of the lower grade of the pit ore. In addition, this action has permitted more orderly development of the underground ore zones.

Ore Reserves

Ore reserves as of June 30, 1969, computed by an independent consulting geologist, were estimated at a total of 916,000 tons of reasonably assured, probable and indicated ore at a grade of 1.88% copper. The previous estimate of ore reserves as of June 30, 1968 was a total of 1,660,000 tons at an average grade

of 1.92% copper. In the interval between the two estimates 282,000 tons grading 2.0% copper were extracted from the orebody. The lower tonnage in the current estimate reflects the results of detailed underground drilling of the Northeast "A" zone when the probable ore previously allocated to that area from surface diamond drilling was shown to have neither the tonnage nor the continuity anticipated. The "B" zone appears to have similar characteristics and, accordingly, the "B" zone estimated reserves have been reduced. However, normal mining practice entails continued underground drilling, which could serve to alter current reserve calculations.

Late in the year, after investigation of economic feasibility, a decision was taken to develop and mine the ore reserves to the west of the present workings. The capital expenditure required to carry out this development is estimated to be \$560,000 of which \$230,000 was spent in 1969. An incline is being driven from underground to the southwest extension of the orebody and an incline is being driven from surface to the underground "C" zone. Mining of these two areas will begin in 1970. The ore reserves in these two areas are included in the estimate set out above.

Labour Force

The shortage and high turnover of underground labour persists despite a vigorous recruitment program. Training courses for local residents have been successfully conducted in co-operation with the Provincial and Federal Governments.

Employee relations were good throughout the year and there were no strikes or work

stoppages. The agreement with the Tunnel and Rock Workers, Local 168 representing the hourly rated employees is in effect until November 30, 1970.

Organization

Senator S. A. Hayden, Q.C., who had been a Director since 1943, resigned effective January 30, 1970. Your Directors wish to express their sincere appreciation to Senator Hayden for most valuable contributions to the Company's progress made during his long association with the Company.

Mr. G. R. Albino, Executive Vice-President, Corporate Staff of Rio Algom Mines Limited, on March 6, 1970 was appointed a Director in succession to Senator Hayden. Mr. A. C. Turner, a Director of the Company and Secretary of Preston Mines Limited and of Rio Algom Mines Limited was, on March 6, 1970 appointed Secretary of the Company in succession to Mr. J. S. Turnbull. Mr. J. Van Netten, Treasurer of Preston Mines Limited and of Rio Algom Mines Limited was, on March 6, 1970 appointed Treasurer of the Company in succession to Mr. A. G. Goodeve.

Your Directors wish to express their appreciation to Mr. M. D. Lawton, Mine Manager and all members of the Company's organization for their effective efforts during the past year.

On behalf of the Board

R. D. ARMSTRONG
President

Toronto, Canada
March 6, 1970

Anglo-Rouyn Mines Limited
(Incorporated under the laws of Ontario)

BALANCE SHEET A

ASSETS

	<u>1969</u>	<u>1968</u>
CURRENT:		
Cash	\$ 30,317	\$ 40,049
Short term deposit	100,000	150,000
Settlements and accounts receivable	2,135,006	1,706,177
Concentrates on hand, at estimated realizable value	51,281	50,873
Ore in stockpile, at cost	185,819	—
	<u>2,502,423</u>	<u>1,947,099</u>
 INVESTMENT IN SHARES of Here Fault Copper Limited, at cost (no quoted market value)	 40,000	 40,000
	<u>40,000</u>	<u>40,000</u>
 FIXED, at cost:		
Plant and equipment	4,354,920	4,134,263
Less accumulated depreciation	2,167,875	1,493,073
	<u>2,187,045</u>	<u>2,641,190</u>
Mining properties, at cost (\$79,000) less accumulated amortization ..	35,066	47,329
	<u>2,222,111</u>	<u>2,688,519</u>
 DEFERRED EXPENDITURES AND OTHER ASSETS, at cost:		
Preproduction and development less amortization	1,318,325	1,682,761
Mine supplies	421,355	364,574
Special refundable tax	—	46,522
	<u>1,739,680</u>	<u>2,093,857</u>
	<u>\$6,504,214</u>	<u>\$6,769,475</u>

T DECEMBER 31, 1969

LIABILITIES AND SHAREHOLDERS' EQUITY

	1969	1968
CURRENT:		
Bank loan (secured) (note 1)	\$ 550,000	\$2,450,000
Accounts payable and accrued liabilities	649,671	492,068
Due to Rio Algom Mines Limited	580	7,036
Due to associated companies	—	1,358
Provision for Provincial mining taxes	65,000	—
Housing mortgages payable within one year	22,722	20,162
	<u>1,287,973</u>	<u>2,970,624</u>
OTHER:		
Advances from Rio Algom Mines Limited (note 2)	878,778	837,203
Housing mortgages less amount due within one year	382,069	404,970
	<u>1,260,847</u>	<u>1,242,173</u>
SHAREHOLDERS' EQUITY (note 1):		
Capital stock —		
Authorized:		
5,000,000 shares with a par value of \$1 each		
Issued:		
4,807,585 shares	4,807,585	4,807,585
Less discount on shares	2,766,447	2,766,447
	<u>2,041,138</u>	<u>2,041,138</u>
Retained earnings	1,914,256	515,540
	<u>3,955,394</u>	<u>2,556,678</u>
Approved on behalf of the Board:		
R. D. ARMSTRONG, Director.		
W. P. ARNOLD, Director.		
	<u>\$6,504,214</u>	<u>\$6,769,475</u>

AUDITORS' REPORT

To the Shareholders of
Anglo-Rouyn Mines Limited:

We have examined the balance sheet of Anglo-Rouyn Mines Limited as at December 31, 1969 and the statements of earnings, retained earnings and source and disposition of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

Toronto, Canada
February 20, 1970

Statement of Earnings

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
Revenue from production	\$7,295,000	\$5,995,174
Less marketing expense	1,031,225	1,007,350
	<u>6,263,775</u>	<u>4,987,824</u>
Operating expenses:		
Mining	1,697,039	1,426,538
Milling	215,084	191,537
Plant and utilities	820,618	781,826
Mine general expense	626,341	617,669
	<u>3,359,082</u>	<u>3,017,570</u>
Mine operating profit	<u>2,904,693</u>	<u>1,970,254</u>
Depreciation and amortization	1,152,063	1,053,371
Interest expense	154,347	240,219
Management fee	60,000	60,000
Executive office general expense	14,567	12,829
	<u>1,380,977</u>	<u>1,366,419</u>
Earnings before Provincial mining taxes	1,523,716	603,835
Provision for Provincial mining taxes	125,000	—
Net earnings for the year (note 3)	<u><u>\$1,398,716</u></u>	<u><u>\$ 603,835</u></u>

Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1969

Balance, beginning of year (deficit)	\$ 515,540	\$ (88,295)
Net earnings for the year	1,398,716	603,835
Balance, end of year	<u><u>\$1,914,256</u></u>	<u><u>\$ 515,540</u></u>

Statement of Source and Disposition of Funds

FOR THE YEAR ENDED DECEMBER 31, 1969

	<u>1969</u>	<u>1968</u>
Source of funds:		
Net earnings for the year	\$1,398,716	\$ 603,835
Add depreciation and amortization which did not involve current outlay of funds	1,152,063	1,053,371
Total from operations	2,550,779	1,657,206
Non-current advances from Rio Algom Mines Limited	41,575	41,689
Special refundable tax	46,522	—
	<u>2,638,876</u>	<u>1,698,895</u>
Disposition of funds:		
Expenditures (net) for fixed assets	242,172	358,915
Expenditures (net) for preproduction and development	79,047	9,454
Increase in mine supplies	56,781	82,250
Housing mortgage repayments	22,901	18,543
Increase in special refundable tax	—	11,500
	<u>400,901</u>	<u>480,662</u>
Increase in working capital	<u>\$2,237,975</u>	<u>\$1,218,233</u>

Notes to Financial Statements

FOR THE YEAR ENDED DECEMBER 31, 1969

1. The bank loan is secured by way of assignment of ore concentrates, supplies, etc. under Section 88 of the Bank Act, a registered general assignment of accounts receivable and a first mortgage bond of \$4,100,000 and is repayable out of profits from operations. Under the terms of the agreement with the bank, no dividends can be paid until such time as the bank loan has been retired.
2. Advances (including accrued interest) from Rio Algom Mines Limited made in the form of mining equipment are subordinated to the bank loan (see note 1 above).
3. Because the company did not claim depreciation or mine development expenses during its tax-exempt period which expired on February 28, 1969, it has available sufficient of such expenses to eliminate taxable income for the year. Accordingly no provision has been made for income taxes.

Full provision has been made for Provincial mining taxes.
4. During the year ended December 31, 1969 the aggregate direct remuneration paid or payable by the company to the directors and senior officers of the company was \$75,770.

Rio Algom

Rio Tinto

